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Case No: CR-2024-007332; CR-2024-007333

IN THE HIGH COURT OF JUSTICE
BUSINESS AND PROPERTY COURTS OF ENGLAND AND WALES
INSOLVENCY AND COMPANIES LIST (ChD)
INTERIM APPLICATIONS LIST

7 Rolls Buildings
Fetter Lane
London
EC4A 1NL

Wednesday, 4 December 2024

BEFORE:

MR JUSTICE ADAM JOHNSON

BETWEEN:

HSBC INNOVATION BANK LIMITED

Applicant

- and -

(1) STENN INTERNATIONAL LIMITED
(2) STENN ASSETS UK LIMITED

Respondents

STEPHEN ROBINS KC and JON COLCLOUGH appeared on behalf of the Applicant
The Respondents did not appear and were not represented

JUDGMENT
(Approved)

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1. MR JUSTICE ADAM JOHNSON: I need to deal with applications for the appointment of administrators over two companies, Stenn Assets UK Limited and Stenn International Limited. The applicant is HSBC Innovation Bank Limited ("*HINV*").

2. I have read the witness statement of Mr Tucker, one of the proposed administrators, and the witness statement of Mr Sheehy of HINV, who has been involved in conducting an investigation into the business activities of the two companies. I am told that the companies have indicated that they consent to the making of administration orders, so the matter can be dealt with briefly and I need not set out all the relevant background. I can turn straightaway to the question of whether the three relevant statutory tests are satisfied.

3. The first question is whether HINV has standing to seek an administration order. I am satisfied that it does. It is a creditor of Stenn Assets UK Limited under the terms of a revolving credit facility ("*RCF*"), in respect of which an event of default has occurred and appropriate demands for payment of outstanding amounts have been served. The outstanding amount is in the region of £35 million. The second company, Stenn International Limited, is a guarantor of the obligations of Stenn Assets UK. A demand has been made of it. Neither demand, that is to say, neither the demand of Stenn Assets UK Limited nor that of Stenn International Limited, has been met, and so the relevant debts remain outstanding. The question of standing therefore is a straightforward one and I am satisfied on that count.

4. The second question is whether the companies are insolvent. I am satisfied that they are. Turning first to the question of cash flow insolvency, the picture there is in my view entirely clear. Neither Stenn Assets UK Limited nor Stenn International Limited has paid the sums which are due and payable under the RCF and the corresponding guarantee. Accordingly they have failed to pay their debts as they fall due. That picture is consistent with that presented by both companies' most recent financial statements, which indicate that neither has sufficient cash available to enable them to discharge the £35 million debt now due and payable under the RCF and the guarantee. In addition to that, I understand that the accounts of both companies have now been frozen by Citibank and consequently they are unable to make any payments, whether

under the RCF, the guarantee or otherwise. That conclusion makes it unnecessary for me to express any view as to whether the companies are also insolvent on a balance-sheet basis, but had that mattered, I would have been satisfied on that basis as well. Stenn International Limited according to its most recent accounts as at 31 December 2023 had a deficiency of US\$26.3 million. As to Stenn Assets UK Limited, its financial statements have been prepared on the footing that its entire business is legitimate and sustainable. The witness statement of Mr Sheehy is consistent with the idea that neither of those propositions is in fact accurate. Had it mattered, therefore, I would have concluded that Stenn Assets UK Limited is likely to become insolvent on a balance-sheet basis given the lack of sustainability of its basic business model.

5. The third question is whether there is a real prospect of achieving one of the recognised purposes of an administration. I accept that there is some present doubt as to whether the first objective is achievable, that is to say, the rescue of the companies; but I am satisfied that the second objective is achievable in relation to both companies and that the third objective is achievable in relation to Stenn Assets UK Limited.
6. The second objective is a better realisation for creditors than in a liquidation. The critical point here is that a liquidation would lead to automatic termination of the companies' employment contracts with their employees. An administration will not have that effect, and that is critically important because of the need for a continued servicing function in respect of the debts and invoices which are at the centre of the companies' business model. In a liquidation, the servicing function would need to be transferred to a backup servicer called Coface UK Services Limited. That would inevitably be complex, time-consuming and disruptive. The advantage of an administration is that it preserves the contracts of employment and the expectation is that the servicing function will be able to continue with minimal disruption.
7. As to the third objective, HINV is a secured creditor of Stenn Assets UK Limited and there is therefore in my view a reasonable prospect of realising property in order to make a distribution to one or more secured or preferential creditors of that company.
8. For all those reasons, I am content to make the administration orders sought. I will now discuss briefly with counsel to the extent necessary the terms of the relevant orders.

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Lower Ground, 46 Chancery Lane, London WC2A 1JE

Email: civil@epiqglobal.co.uk

This transcript has been approved by the Judge